
Endowment Fund Investment Board 2013 Budget

**Presentation to the Joint Finance-Appropriations
Committee**

February 15, 2012



Outline

- Endowment Fund Overview
- Budget review
- Investment management overview
 - Including FY 2013 distributions

Trust Assets Overseen by the Investment Board

Funds Under Management
December 31, 2011

	<u>Assets</u> <u>(\$millions)</u>	<u>% of</u> <u>Total</u>
Endowment Fund	1,203.6	65%
State Insurance Fund	583.2	32%
Judges' Retirement Fund	58.3	3%
Parks & Rec Endowments	<u>3.1</u>	<u>0.2%</u>
TOTAL	<u><u>1,848.2</u></u>	<u><u>100%</u></u>

Mission

Endowment Fund Investment Board

**Provide professional
investment management
services to our stakeholders
consistent with our
constitutional and statutory
mandates**

Who is the Endowment Fund Investment Board?

- Nine members, appointed by the Governor, confirmed by the Senate
 - One Senator, one representative
 - One professional educator
 - Six members of the public familiar with financial matters
- Meets at least quarterly
- Full-time staff of four

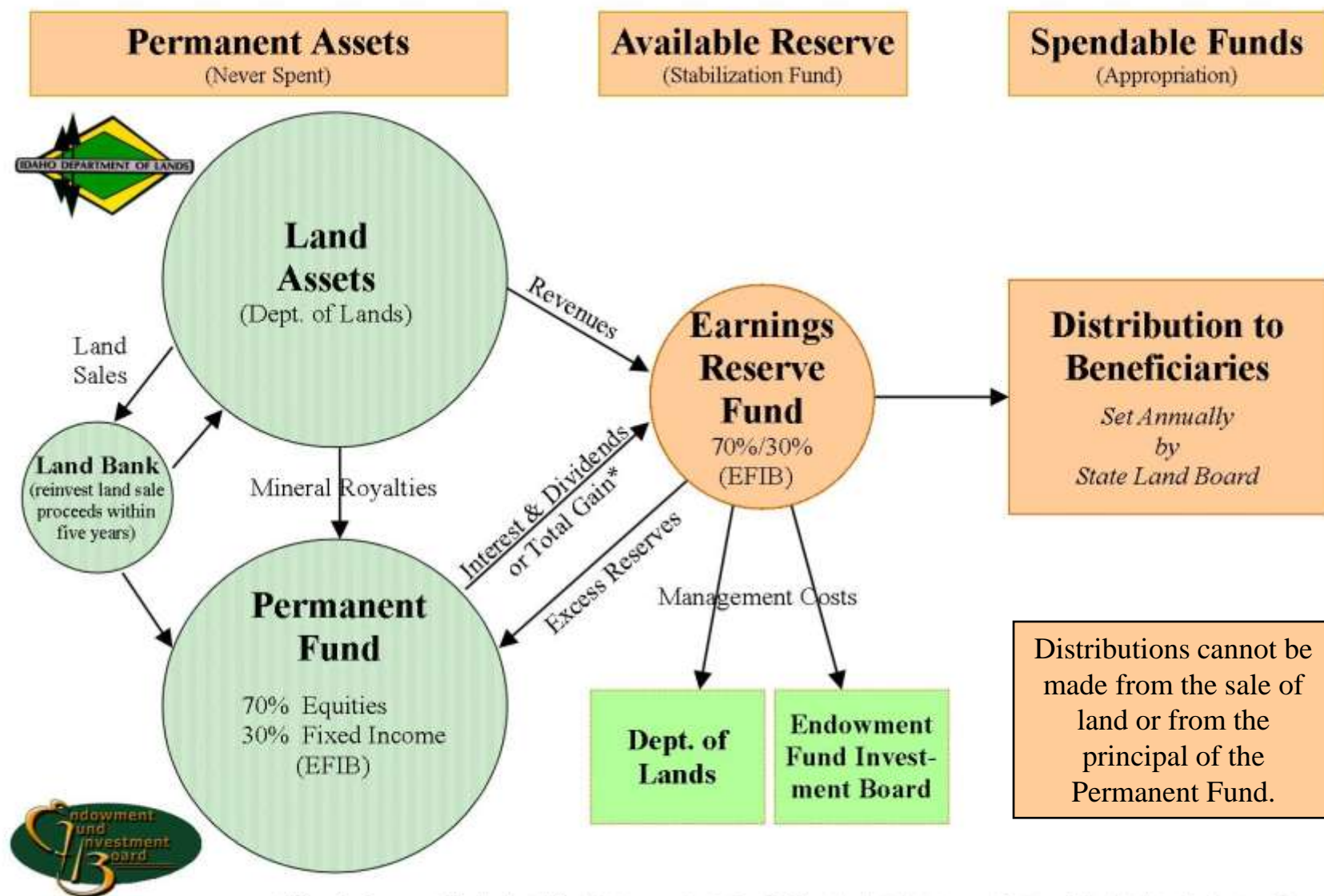
Revenue sources (4-28)

- All Endowment Fund operating expenses are paid by its clients (i.e. taken from dedicated funds)
 - Endowment Earnings Reserve funds
 - State Insurance Fund
 - Judges' Retirement Fund
 - Parks & Recreation endowment funds
- No General Funds are required to operate the EFIB

FY2013 Budget Request

<i>LBB</i>		<i>Governor's</i>	<i>% Change vs</i>
<i>Page #</i>	<i>Budget Item</i>	<i>Recomm.</i>	<i>Orig. Approp.</i>
4-32	FY 2012 Original Appropriation	\$ 602,700	0.0%
	1. Budget Reallocation	-	0.0%
	Removal of One-Time Expenditure	(6,000)	-1.0%
	FY 2013 Base	\$ 596,700	-1.0%
4-33	Benefit Costs	\$ 6,000	1.0%
	Inflationary Adjustments	-	0.0%
	Replacement Items	3,300	0.5%
	Statewide Cost Allocation	(5,600)	-0.9%
	Change in Employee Compensation	-	0.0%
	Subtotal - Maintenance	\$ 3,700	0.6%
	FY 2013 Program Maintenance	\$ 600,400	-0.4%
	1. Adjust Between Funds	-	0.0%
4-34	2. Continuous Appropriation	-	0.0%
	Subtotal - Additional Items	-	0.0%
	FY 2013 Total Request	600,400	-0.4%

STRUCTURE OF IDAHO'S ENDOWMENT ASSETS



* When the Permanent Fund, adjusted for inflation, exceeds its June 2000 level, only total gain over inflation will be distributed to Earnings Reserve.

Endowment Fund Assets

(millions of dollars)

	<i>Fiscal Year End</i>				
	<i>1966</i>	<i>2000</i>	<i>2011</i>		
			<i><u>Total</u></i>	<i><u>Permanent Fund</u></i>	<i><u>Earnings Reserve</u></i>
Public School	45.7	556.0	808.2	714.7	93.5
Agricultural College	2.6	14.8	25.9	19.7	6.2
Charitable Institutions	4.4	54.5	83.4	66.1	17.3
Normal School	4.2	47.3	76.1	60.7	15.4
Penitentiary	2.6	18.3	34.8	24.3	10.5
School of Science	4.3	54.8	85.1	67.0	18.1
State Hospital South	2.0	23.4	60.2	33.6	26.6
University	3.2	42.4	72.2	55.5	16.7
	69.0	811.5	1,245.9	1,041.6	204.3

Estimated total assets as of January 31, 2012 = \$1.26 billion

Objectives for determining distributions (in priority order)

1. Avoid reductions in total endowment distributions
2. Maintain adequate Earnings Reserves to protect distributions from temporary income shortfalls
3. Grow distributions and permanent corpus faster than inflation and population growth

Fiscal Yr 2013 Distribution Summary

Endowment Beneficiary	FY 2012 Approp.	\$ Change	FY 2013 Approv. Dist.	% Change	% of Total
Public Schools	\$ 31,292	-	\$ 31,292	0.0%	66%
Universities	9,616	311	9,927	3.2%	21%
State Hospital South	2,302	566	2,868	24.6%	6%
Penitentiary	1,040	206	1,247	19.8%	3%
Juvenile Corrections	790	0	791	0.0%	2%
State Hospital North	790	0	791	0.0%	2%
Veterans Home	494	0	494	0.0%	1%
Deaf & Blind School	99	0	99	0.0%	0.2%
Grand Total	46,424	1,084	47,509	2.3%	100%

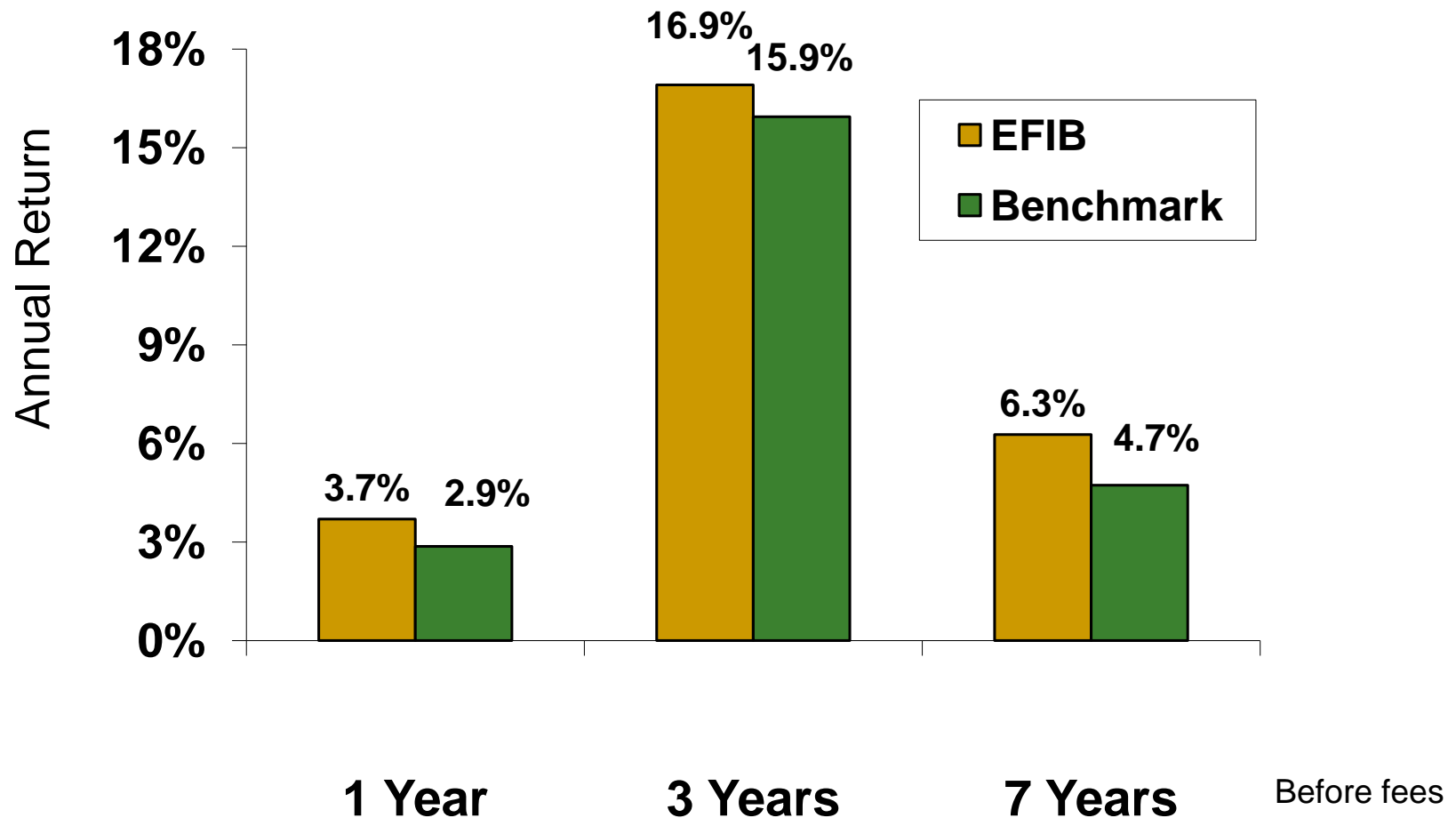
All amounts in thousands of dollars

2012 amounts were both approved by the Land Board and appropriated by the Legislature. 2013 amounts have been approved, but have not yet been appropriated.

Questions?

Endowment Fund Performance

(For periods ended January, 2012)



Endowment Management Expense

FY 2011

Endowment Fund Board and Staff*	\$ 391,409
---------------------------------	------------

Consultant, Auditor, Custodian	581,271
--------------------------------	---------

Investment Managers	4,454,583
---------------------	-----------

Total	\$ 5,427,263
--------------	---------------------

Total Expense Ratio	0.43%
----------------------------	--------------

<i>Endowment Assets - June 2011 (\$MM)</i>	<i>\$1,267.8</i>
--	------------------

*Portion paid by land grant endowments. Excludes portion paid by other clients.

Detail of Budget Reallocation (Supplemental for FY 2012, page 4-32)

<u>Two items impacting FY 2012</u>	<u>Changes</u>	<u>FY 2012 Budget After Changes</u>
A. Reallocate FY 2012 spending among dedicated funds to reflect actual workload as determined by a review of the last four years, changes in assets.		
Endowment Dedicated Fund	(14,700)	449,000
Other Clients - Dedicated Fund	14,700	153,700
Net Budget Impact/Total	-	602,700
B. Transfer from Operating to Personnel to eliminate furlough days		
Restore salaries to FY 2009 levels (4 full-time employees)	1,900	384,900
Restore board member compensation budget* (historical peak spending for 9 board members)	2,500	4,200
Increase Personnel Budget	4,400	389,100
Reduce Operating Budget	(4,400)	207,600
Maintain Capital Budget	-	6,000
Net Budget Impact/Total	-	602,700

* Board member compensation/day is fixed by statute at \$50/day, so the total spending varies with the level of board activity. Restoring the budget for board compensation to historical peak levels ensures increased board activity does not have to be paid for by furloughing regular employees.